

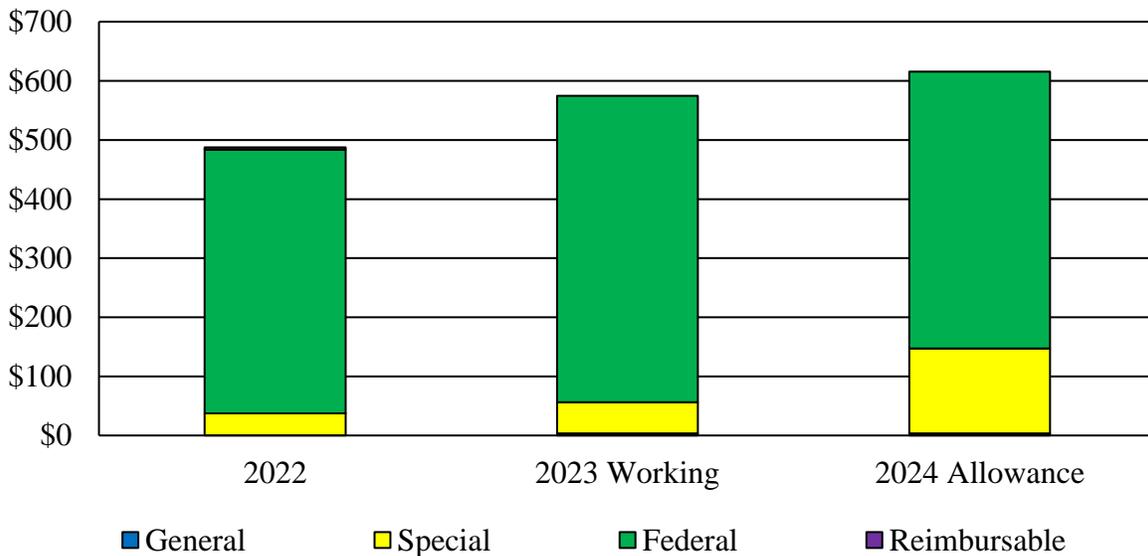
D78Y01 Maryland Health Benefit Exchange

Program Description

The Maryland Health Benefit Exchange (MHBE) was created during the 2011 session in response to the federal Patient Protection and Affordable Care Act (ACA) of 2010. MHBE provides a marketplace for individuals and small businesses to access affordable or no-cost health coverage. Through the Maryland Health Connection (MHC), Maryland residents can shop for health insurance and dental plans; compare rates; and determine their eligibility for tax credits, cost-sharing reductions, and public assistance programs such as Medicaid. Once an individual or family selects a Qualified Health Plan (QHP) or available program, they enroll in it directly through MHC. Under the ACA, to be certified as a QHP, an insurance plan must meet certain requirements, including providing at least 10 essential health benefits with no lifetime maximums and following established limits on cost-sharing. The same rules apply to plans sold both in and out of the exchange but, to be sold on the exchange, a health plan must also be certified by the exchange as a QHP. Premium subsidies are only available to plans purchased on the exchange by eligible individuals.

Operating Budget Summary

Fiscal 2024 Budget Increases \$40.8 Million, or 7.1%, to \$615.4 Million
(\$ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

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D78Y01 – Maryland Health Benefit Exchange

- The net increase of \$52.5 million in the fiscal 2024 allowance for MHBE’s reinsurance program is primarily driven by a decrease of \$49.2 million in federal pass-through dollars that is more than offset by \$101.5 million from using the provider fee to support reinsurance costs. MHBE anticipates payments exceeding the amount available from the federal pass-through funds.
- The fiscal 2024 allowance includes \$10 million for the young adult subsidy program, a decrease of \$10 million as it was only established as a pilot for two years as determined by Chapters 777 and 778 of 2021.

Fiscal 2023

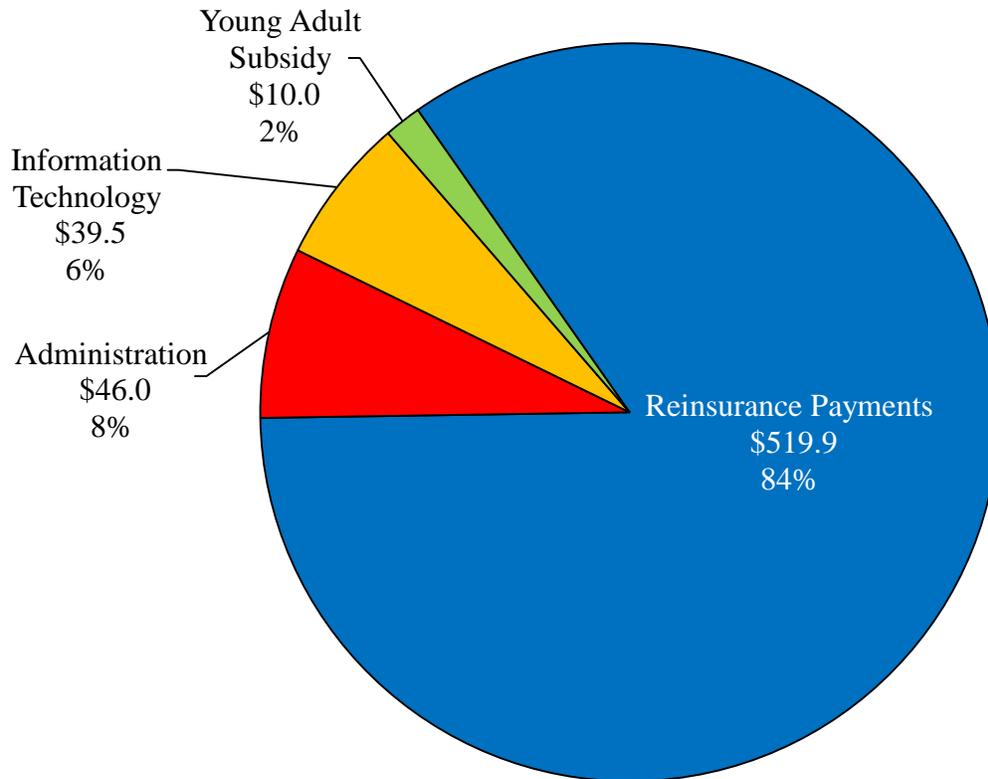
Proposed Deficiency

The fiscal 2024 budget includes one proposed deficiency appropriation for MBHE to support increases in the fulfillment and consolidated service center contract rates. The deficiency totals \$7.5 million, which includes \$3.6 million in general funds and \$3.9 million in federal funds. This is the first time MHBE has received general funds since 2016. These general funds are expected to continue in fiscal 2024. **MHBE should comment on whether general fund support is expected to be needed in the future for the agency.**

Fiscal 2024 Overview of Agency Spending

As shown in **Exhibit 1**, MHBE’s fiscal 2024 allowance totals \$615.4 million, of which 86% supports reinsurance payments and the young adult subsidy program. Of this amount, the young adult subsidy receives \$10 million representing the final portion of funding authorized for the program in Chapters 777 and 778. Aside from the reinsurance payments, as shown in **Exhibit 2**, the administration portion represents 54% of planned expenditures, including \$10 million for connector entities, which are organizations that assist in enrolling customers in health insurance programs. In addition, the administration also includes \$13.5 million for the call center to assist residents in enrolling in health insurance over the phone and \$5.8 million for fulfillment to send required notices and other correspondence to MHC consumers. The reinsurance fund and young adult subsidy are discussed in greater detail in Key Observation 1.

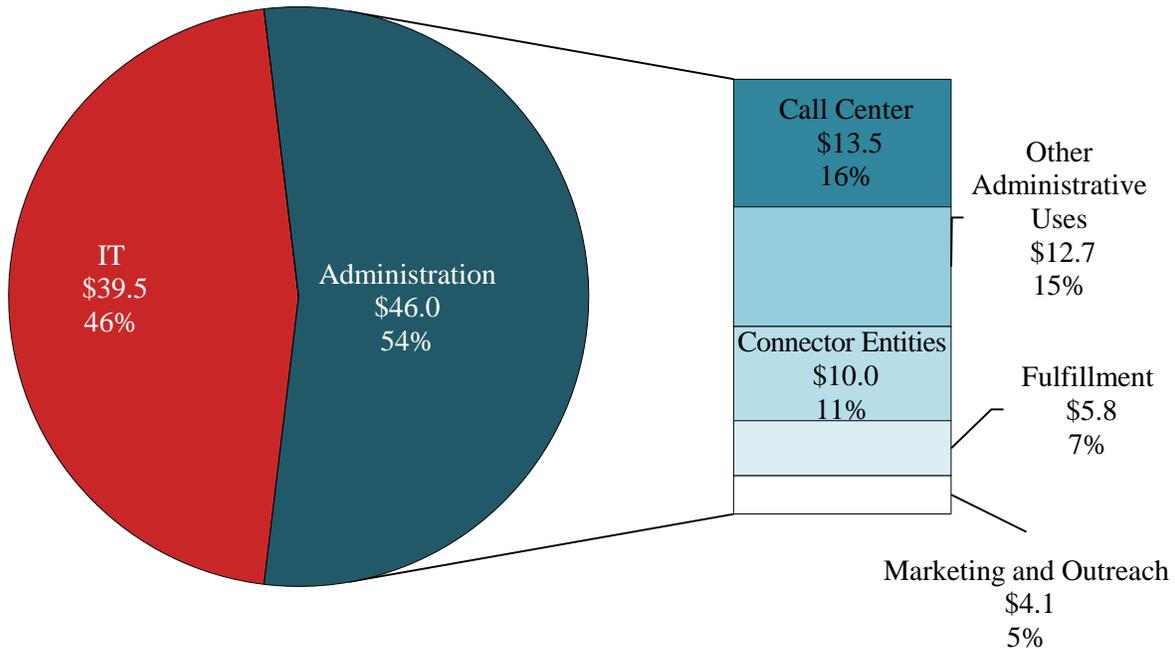
Exhibit 1
Overview of Agency Spending
Fiscal 2024 Allowance
(\$ in Millions)



Note: The fiscal 2024 allowance does not reflect salary enhancements that are budgeted in the Statewide Account within the Department of Budget and Management.

Source: Governor’s Fiscal 2024 Budget Books

Exhibit 2
Agency Spending for IT and Administration
Fiscal 2024 Allowance
(\$ in Millions)



IT: information technology

Note: The fiscal 2024 allowance does not reflect salary enhancements that are budgeted in the Statewide Account within the Department of Budget and Management. This graph does not include items funded in the reinsurance program.

Source: Governor’s Fiscal 2024 Budget Books

Proposed Budget Change

As shown in **Exhibit 3**, MHBE saw a net increase of \$40.8 million in the fiscal 2024 allowance compared to the fiscal 2023 working appropriation after accounting for deficiency appropriations including the share of the statewide deficiency for the 4.5% cost-of-living adjustment provided in November 2022. The fiscal 2024 allowance for the reinsurance program and administration increase by \$42.5 million and \$211,750, respectively. These increases were partially offset by a reduction in the information technology (IT) program of \$1.6 million. The increase in funding for MHBE administration is primarily driven by an increase in regular employee salaries and wages of \$344,140. The largest contributing factor to the decline in the IT program is a reduction in MHBE’s allocated costs associated for utilization of the Amazon Web Server cloud, a decrease of \$1.7 million.

Exhibit 3
Proposed Budget
Maryland Health Benefit Exchange
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2022 Actual	\$0	\$37,198	\$446,696	\$3,577	\$487,471
Fiscal 2023 Working Appropriation	3,562	52,454	518,568	0	574,585
Fiscal 2024 Allowance	<u>3,551</u>	<u>143,492</u>	<u>468,390</u>	<u>0</u>	<u>615,432</u>
Fiscal 2023-2024 Amount Change	-\$12	\$91,038	-\$50,179	\$0	\$40,848
Fiscal 2023-2024 Percent Change	-0.3%	173.6%	-9.7%		7.1%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Regular earnings due reclassifications, and efforts to improve recruitment and retention including grade increases for finance and procurement departments and filling positions at higher salary levels					\$476
Employees' retirement system					127
Annualization of the November 2022 4.5% cost-of-living adjustment.....					113
Other fringe benefit adjustments					38
Turnover expectancy increases from 4.02% to 5.41%					-145
Employee and retiree health insurance.....					-264
Reinsurance Program					
Reinsurance payments					52,298
Young adult subsidy					-10,000
Other Changes					
Foreign language translation services for call center insurance enrollment.....					150
Administrative hearings for eligibility hearings based on anticipated caseload ...					119
Additional promotional items for small business marketing.....					50
Reduced number of leased copiers due to hybrid work					-14
Computer replacement costs					-60
Realigning MD THINK software needs with agency priorities.....					-125
Decrease in funds for the call center					-190
Decrease in server utilization costs for Amazon Web Services for MD THINK					-1,695
Other					-29
Total					\$40,848

MD THINK: Maryland Total Human-services Integrated Network

Note: Numbers may not sum to total due to rounding.

Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</u> <u>Change</u>
Regular Positions	67.00	67.00	67.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	67.00	67.00	67.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.62	5.41%
Positions and Percentage Vacant as of 12/31/22	4.00	5.97%
Vacancies Above Turnover	0.38	

- MHBE saw stable personnel between the fiscal 2023 working appropriation and the fiscal 2024 allowance at 67 regular positions. As of December 31, 2022, MHBE only had 0.38 positions above the number needed to meet turnover.

Key Observations

1. Reinsurance Program and Forecasted Funding

Reinsurance is insurance for carriers that protects against significant losses. Chapters 6 and 7 of 2018 established the State Reinsurance Program (SRP) to address rising health insurance premiums in Maryland. It required MHBE to apply for a State Innovation Waiver under Section 1332 of the ACA to seek federal pass-through funding to support the reinsurance program. The federal government approved the waiver in August 2018, and MHBE submitted its letter of intent on December 15, 2022, to request a five-year extension to extend the waiver from its projected end in plan year 2023 to 2028. The application to extend the waiver must be submitted to the federal government by March 31, 2023.

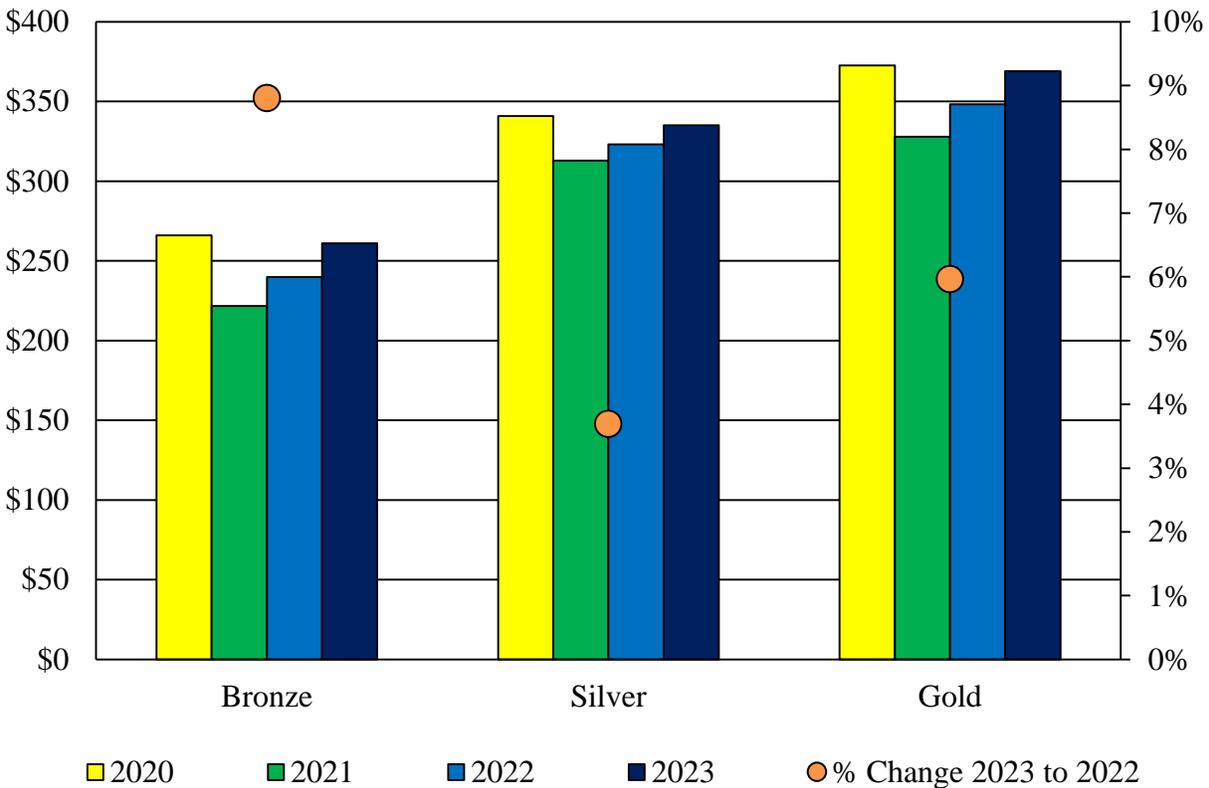
Beginning in the 2019 plan year, the SRP provided reinsurance to carriers offering individual health benefit plans. Carriers that incurred total annual claims costs on any individual between a \$20,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 are to be reimbursed for 80% of those claims' costs. MHBE maintained these parameters for the SRP through plan year 2022 and, for plan year 2023, the attachment point changed to \$18,500.

Individual Market Rates Increase Slightly in Third Year of SRP

Approval of the Section 1332 Waiver and the availability of federal pass-through funds for the SRP has substantially reduced individual market premium rates approved by the Maryland Insurance Administration (MIA). Rates trended downwards in plan year 2021 but have seen a slight increase in plan years 2022 and 2023. **Exhibit 4** provides examples of the monthly premiums for the 2019 through 2023 plan years as calculated by MIA for various metal levels for an individual aged 40 in the Carefirst BlueChoice plans.

These plans represent the lowest cost plan at each metal level, with bronze plans increasing the most on a rate basis at 8.9% and silver the least at 3.8%. This is the second year since the reinsurance program began that sample rates have seen an expected increase, yet all rates for plan year 2023 are still below those of plan year 2020. For example, the bronze plan, which saw the largest level of increase in 2023, has a rate 2% lower than that of 2020.

Exhibit 4
Sample Monthly Premiums for a 40-year-old in a Carefirst BlueChoice Plan
Calendar 2019-2023



Note: Actual premiums will vary from sample rates based on carrier, plan, age, and other factors. These premiums represent samples of premiums without the Advanced Premium Tax Credit. The examples in this exhibit are for individuals living in the Baltimore Metro area (Anne Arundel, Baltimore, Harford, and Howard counties, and Baltimore City).

Source: Maryland Insurance Administration

Additional Funding Support Needed to Support the SRP

The 2022 *Joint Chairmen’s Report* (JCR) included committee narrative requesting a report on the funding and forecasted financial situation of the SRP. In its response, MHBE indicated that the reinsurance program’s financial situation has changed from what was projected at the beginning of the program when federal funding was expected to be sufficient to cover costs through 2023. In July 2021, MHBE’s actuary projected that total program costs for 2021 would be approximately \$432.6 million. However, actual program costs consisted of \$467.7 million in payments to carriers and \$56,994 for program administration – a total 8% higher than projected

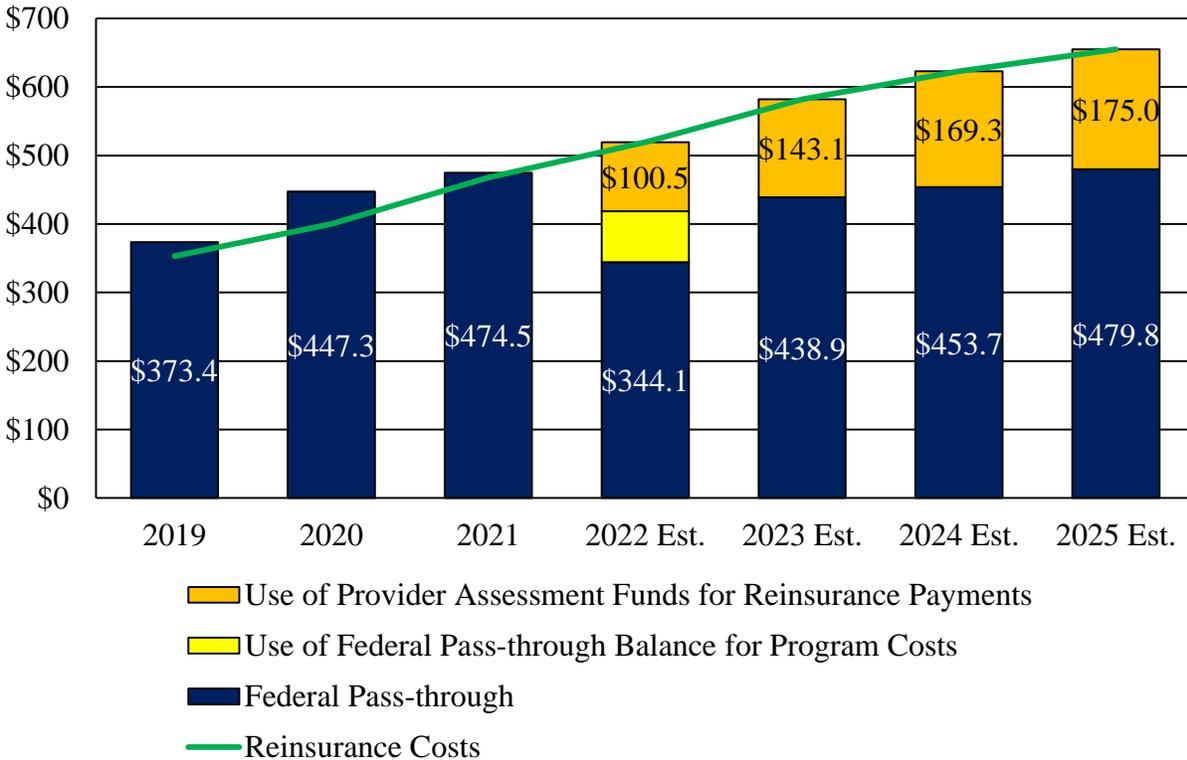
D78Y01 – Maryland Health Benefit Exchange

due to the ongoing COVID-19 pandemic. Additionally, program cost projections have increased, while federal funding for the program has decreased.

At the inception of the SRP, it was expected to be funded through federal pass-through funds available due to estimated savings from the Advanced Premium Tax Credit due to lower premiums (determined annually by the Centers for Medicare and Medicaid Services) and a health insurance provider fee imposed by the State. The federal pass-through funds received by the State have been difficult to forecast. Due to increasing enrollment in the individual market, the impact of the COVID-19 pandemic on claims, and other factors, program costs have continued to increase. The American Rescue Plan Act of 2021 (ARPA) increased federal premium subsidies for the 2021 and 2022 plan years while the Inflation Reduction Act of 2022 extended the enhanced federal subsidies through 2025. The enhanced subsidies would have otherwise been expected to increase the federal pass-through funding, however, other changes to the federal calculation in including the impact of a third carrier entering the market resulted in a 27% reduction in federal funding.

MHBE reports that starting in plan year 2022 (fiscal 2024), the annual cost of the program will exceed that year's federal funding, forcing MHBE to draw down on the State reinsurance fund. **Exhibit 5** shows the actual and estimated reinsurance costs and federal pass-through allotment from calendar 2019 through 2025. In calendar 2021, the SRP was roughly level-funded with revenues slightly exceeding expenditures due to additional ARPA funding. However, starting in calendar 2022, the SRP's estimated expenditures exceed federal pass-through revenue by \$175 million.

Exhibit 5
Federal Pass-through Relative to Reinsurance Costs
Calendar 2019-2025 Est
(\$ in Millions)

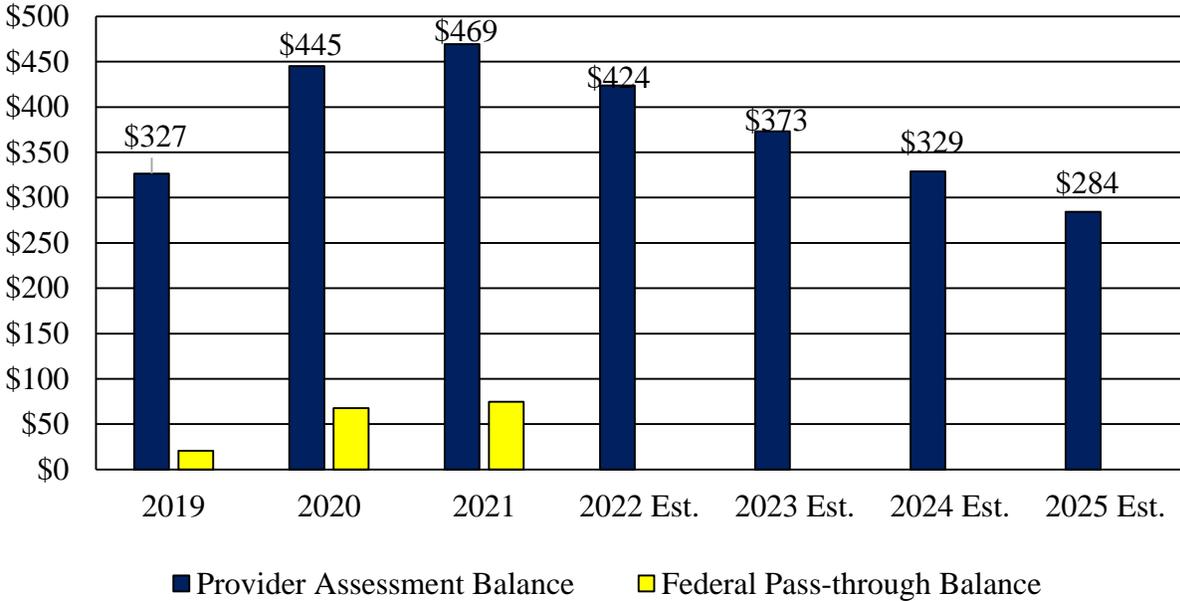


Note: Reinsurance costs represent an estimate from calendar 2022 through 2025. Federal pass-through payments are actual through calendar 2022 and estimates from calendar 2023 through 2025. The calendar 2024 and 2025 estimates are shown under the assumption that the federal waiver for the program is extended. Excess federal pass-through funds can only be retained for future reinsurance needs throughout the waiver program.

Source: Maryland Health Benefit Exchange; Department of Legislative Services

Due to the decrease in available federal fund pass-through expected, MHBE will first draw down available federal fund balance and then must utilize the assessment revenue and fund balance to fill the gap, as shown in **Exhibit 6**. The fiscal 2024 allowance includes \$101.5 million of provider assessment revenues funding reinsurance. New revenue from the provider assessment is estimated at \$135 million for calendar 2023 and is projected to increase by about 4% in subsequent years. By calendar 2025, estimated State funded reinsurance costs will exceed the new assessment revenue by \$30 million indicating the State must be cautious going forward in committing the fund balance to other endeavors.

Exhibit 6
Balance of Federal Pass-through Dollars and Provider Fee
Calendar 2019-2025 Est
(\$ in Millions)



Note: Funding that has been allocated on a fiscal year basis is attributed to the calendar year in which the fiscal year for the funding allocation closes. Reinsurance costs represent an estimate.

Source: Maryland Health Benefit Exchange; Department of Legislative Services

Exhibit 6 also shows the forecasted balance of the reinsurance funds through calendar 2025, when the balance of the fund declines to \$284 million. This declining balance reflects not only the reinsurance funds being used to fill the gap left by the lower federal pass-through dollars, but legislation from the 2021 session that authorized funding for other purposes, including:

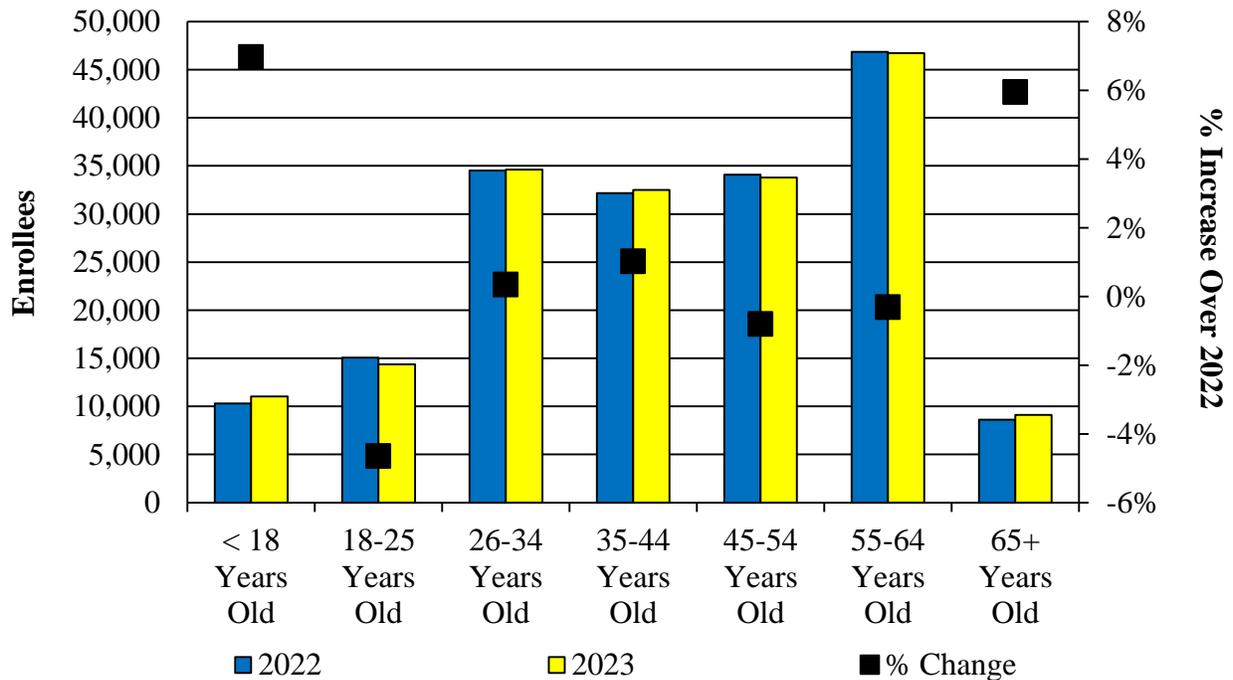
- \$100 million in fiscal 2021 and \$50 million in fiscal 2022 to support the Medicaid program (originally anticipated at \$100 million in each year);
- \$40 million across fiscal 2022, 2023, and 2024 to support the young adult subsidy;
- \$15 million per year in from fiscal 2023 through 2025 to support health equity resource zone grants;

D78Y01 – Maryland Health Benefit Exchange

- \$8 million per year in fiscal 2023 and 2024 for the Community Health Resources Commission; and
- \$1.9 million in fiscal 2022 for the Senior Prescription Drug Affordability Program.

The fiscal 2024 allowance includes \$10 million for the young adult subsidy program. The young adult subsidy provides a reduced cost health coverage for young adults ages 18 to 34, aiming to reduce expected contributions by 2.5%. Chapters 777 and 778 created the State-Based Young Adult Health Insurance Subsidies Pilot Program for two years. The program was funded at \$40 million, which has been split across fiscal 2022 through 2024. The pilot program terminates at the end of calendar 2023, in fiscal 2024. As shown in **Exhibit 7**, MHBE saw marginal increases in the under 18, 26 through 34, 35 through 44, and 65 and older age group categories with growth from the previous year of 7%, 0.4%, 1%, and 6%, respectively. **MHBE should comment on the future young adult subsidy program plans, including a discussion of pilot results.**

Exhibit 7
Enrollees in QHP by Age
Calendar 2022-2023

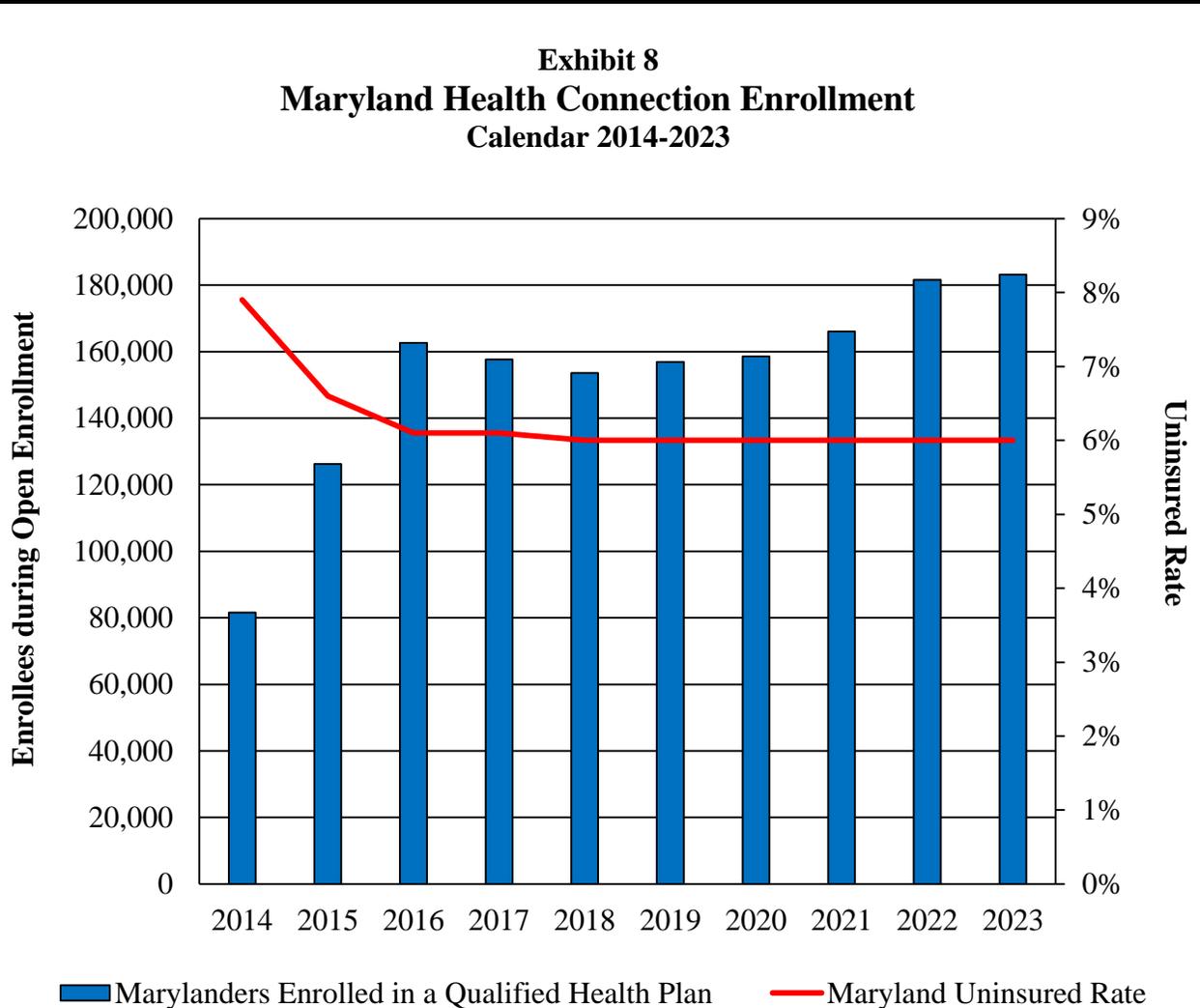


QHP: Qualified Health Plan

Source: Maryland Health Benefit Exchange

2. Marketplace Enrollment, State Uninsured Rate

MHBE saw an increase in Maryland citizens becoming enrolled in a QHP in plan year 2023, with enrollee numbers exceeding 183,000, as shown in **Exhibit 8**. QHP enrollment has been growing over the past few calendar years due to special enrollment periods during the COVID-19 pandemic and an expanded open enrollment period as recently as plan year 2022. Exhibit 8 also shows that the State’s uninsured rate has been stable at 6% – one of the lowest uninsured rates in the nation.



Note: Enrollees are reported for the beginning of the plan year. Individuals may drop off throughout the year.

Source: Maryland Health Benefit Exchange; Department of Budget and Management

Operating Budget Recommended Actions

1. Adopt the following narrative:

State Innovation Waiver Applications: The Maryland Health Benefit Exchange (MHBE) has indicated that it is considering submitting additional State Innovation Waiver applications, including to extend the State Reinsurance Program. Given the implications of these waivers on the activities of the agency and the budget for the agency, the committees are interested in remaining informed of MHBE’s activities in these areas. The committees request that MHBE notify the committees of any applications for State Innovation Waivers that it submits during fiscal 2024 and the final decision of those applications.

Information Request	Author	Due Date
Notification of applications for State Innovation Waivers and decisions on those applications	MHBE	As needed, within 20 days of any application and decision on any application

2. Adopt the following narrative:

Reinsurance Program Costs and Forecasts: The committees are interested in monitoring the costs of the State Reinsurance Program and future funding needs. The committees request that the Maryland Health Benefit Exchange (MHBE) submit a report that provides an updated forecast of spending and funding needs.

Information Request	Author	Due Date
Reinsurance program costs and forecast	MHBE	September 30, 2023

Appendix 1
2022 Joint Chairmen’s Report Responses from Agency

The 2022 JCR requested that MHBE prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Reinsurance Program Costs and Forecast:*** While MHBE still projects that the program will be fully funded through 2023, it anticipates that special funds from the State reinsurance fund will be required to support the program, with a remaining State reinsurance fund balance at the end of 2023 of roughly \$373 million. Additional discussion of this item can be found in Key Observation 1.

- ***Notification of Applications for State Innovation Waivers and Decisions on Those Payments:*** These reports were to be submitted if any applications for the State Innovation Waivers were submitted by the agency. These reports were on an as needed basis and, as no applications were submitted, no notifications were received.

**Appendix 2
Object/Fund Difference Report
Maryland Health Benefit Exchange**

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	67.00	67.00	67.00	0.00	0%
Total Positions	67.00	67.00	67.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 8,627,957	\$ 9,007,246	\$ 9,577,158	\$ 569,912	6.3%
03 Communication	113,591	121,300	107,500	-13,800	-11.4%
04 Travel	19,941	32,500	15,000	-17,500	-53.8%
08 Contractual Services	467,336,166	546,281,789	594,351,471	48,069,682	8.8%
09 Supplies and Materials	5,180	23,286	11,500	-11,786	-50.6%
11 Equipment – Additional	1,030,379	475,000	415,000	-60,000	-12.6%
12 Grants, Subsidies, and Contributions	9,401,665	10,000,000	10,000,000	0	0%
13 Fixed Charges	935,964	940,022	954,830	14,808	1.6%
Total Objects	\$ 487,470,843	\$ 566,881,143	\$ 615,432,459	\$ 48,551,316	8.6%
Funds					
01 General Fund	\$ 0	\$ 0	\$ 3,550,548	\$ 3,550,548	N/A
03 Special Fund	37,198,420	52,325,185	143,492,207	91,167,022	174.2%
05 Federal Fund	446,695,819	514,555,958	468,389,704	-46,166,254	-9.0%
09 Reimbursable Fund	3,576,604	0	0	0	0.0%
Total Funds	\$ 487,470,843	\$ 566,881,143	\$ 615,432,459	\$ 48,551,316	8.6%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.